

# **The Impact of Contract Structure and Incentives on Player Performance in the National Hockey League**

## **A Fixed Effects Analysis**

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### **ABSTRACT**

Economic incentives are set in order to induce the desired behavior. In the common labour market, incentives such as awards, raises and potential promotions induce workers to exert greater effort, thereby increasing productivity and profitability for the company. Do the same compensation-related incentives work in professional hockey? This paper takes player data from five seasons (2007-08 to 2011-12 inclusive) of National Hockey League play, and examines the impact that the final year of any contract and any performance bonus has on the performance of players in the National Hockey League. The results show no evidence of a statistically significant impact of the final year of the contract on performance or on the effort measure, and no significant impact of the performance bonus on performance once player ability is controlled for in the fixed effects analysis. However, there is evidence of a significant and negative impact of the final year of the contract on the shooting percentage of forwards in fixed effects.